

TAB 52

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*Boehringer Ingelheim
Roxane, Inc.
&
Roxane Laboratories Inc.*

*2005 Year End
Commentary*

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2005 Year End

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2005 Year End

1. ACKNOWLEDGMENT

On April 4th, 2005, Roxane Laboratories, Inc. was divided into two legal entities under the Boehringer Ingelheim Corporation umbrella. Each legal entity has its own separate name and separate legal entity status.

The Operations, Manufacturing, and Distribution functions of the business have been grouped under Boehringer Ingelheim Roxane, Inc. – BIRI, company code 1548, and have the following business segments:

- 1548-6-6E-1800 Toll Manufacturing
- 1548-6-6E-1801 Outlicensing
- 1548-6-6G-2998 RLI Intercompany Sales
- 1548-6-6G-2999 BIPI Intercompany Sales
- 1548-6-6G-6999 Exports to BII (TMA)

With this change, BIPI Production, Quality Control, and Reno Distribution Center have been incorporated into BI Roxane, Inc., which have already been under Operations Management responsibility.

The Marketing, Multisource Sales, and Scientific Affairs functions of the business have been grouped under Roxane Laboratories, Inc. – RLI, company code 1658, and will have the following business segment:

- 1658-6-6X-1500 Multisource

Special Notes:

- There was no Budget 2005 reported for company 1658. The decision was made to start reporting with Preview 2005.
- Multisource products produced in BIRI will be charged with a 10% markup to RLI. This was not reflected in the submitted Multisource Budget 2005.

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2. MANAGEMENT SUMMARY

BIRI (1548) Legal Entity

BIRI's financial outcome for the year of 2005 was influenced by the following major topics:

Affiliates

- Increased Mobic demand due to VIOXX withdrawal accounts for an increase of \$181.5 million in sales.
- Increase of \$13.7 million in Sales of Catapres TTS.
- Increase of \$9.7 million in Sales of Atrovent.
- Decreased production volume of Spiriva, Fluticasone and Clonidine.

RLI (1658) Legal Entity

RLI's financial outcome for the year of 2005 was influenced by the following major topics:

Multisource:

- Launch of Fluticasone was delayed until 2006 due to FDA approval issues, resulting in a lost of \$102.7 million in planned net sales.
- Launch of Clonidine was cancelled due to lack of generic competition, resulting in a lost of \$8.7 million in planned net sales.
- Settlement of the AWP litigation in the state of Texas.

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2005 Year End

ROXANE LABS, INC. PRESCRIPTION MEDICINE BY PRODUCT Multisource Net Sales Year End 2005 vs. Budget 2005				
Thousands U.S.S				
	Year End	Budget	Year End	YE 2005
	2004	2005	2005	Over (Under)
TOP 10 PRODUCTS				Bud 2005
CLOTRIMAZOLE	9,747	13,250	21,189	7,939
METHADONE	17,484	15,061	20,070	5,009
MEGESTROL AC	26,046	11,273	19,391	8,118
PREDNISONE	24,114	16,690	18,942	2,252
ROXICET	14,195	10,685	12,675	1,990
LITHIUM	7,783	6,735	11,935	5,200
MERCAPTOPURINE	8,474	10,106	10,678	572
AZATHIOPRINE	9,626	8,303	10,213	1,910
DEXAMETHASON	8,427	6,203	9,869	3,666
LITHIUM CR		3,471	9,554	6,084
Other Products	83,445	232,203	97,452	(134,751)
Discontinued Products	2,029		(28)	(28)
Net Sales	211,370	333,980	241,940	(92,040)

NEW LAUNCHES IN 2005			
CLARITHROMYCIN	7,369	4,880	(2,489)
LITHIUM ER	624	-	(624)
PILOCARPINE	10,485	934	(9,551)
CALCITROL	533	-	(533)
TORSEMIDE	158	386	228
OXANDROLONE	183	-	(183)
ZIDOVUDINE	95	452	357
CILOSTAZOL	1,970	125	(1,845)
TOTAL		6,777	(14,640)

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2005 Year End

3. BUSINESSES

3.1. Multisource – 1548 6A & 1658 6X

Year End '05 vs. Budget 05

Due to the Legal Entity split effective April 4th 2005, the first three months of the Multisource business are shown under the BIRI legal entity (1548), formerly named RLI (1548), and the remaining 9 months are shown under the new RLI legal entity (1658). For comparison purposes only, the Multisource businesses of the two legal entities have been consolidated in the following presentation.

PNR 8100: Net Sales

- Down \$92.0 million.
 - **Fluticasone**: down \$102.7 million. Product did not launch as expected.
 - **Pilocarpine**: down \$9.6 million due to more competition than assumed.
 - **Clonidine**: down \$8.7 million. Product did not launch as expected.
 - **Megestrol AC**: up \$8.1 million due to less competition
 - **Clotrimazole**: up \$7.9 million. Product launched earlier than expected, as the sole generic.
 - **Lithium CR**: up \$6.1 million. Competition left market, leaving RLI as sole source for many materials.
 - **Fosinopril**: down \$5.8 million. Product did not launch as expected
 - **Lorazepam**: down \$5.4 million due to a recall in December, 2004. Normal delivery reestablished in October, 2005.
 - **Lithium**: up \$5.2 million. Competition left market, leaving RLI as sole source for many materials.
 - **Methadone**: up \$5.0 million. The market for this product is increasing, with no additional competition this year.
 - **Mefloquine**: up \$4.5 million due to fewer competitors than expected.
 - **Cyclophosphamide**: down \$4.3 million due to a declining market.
 - **Other Products with substantial variances**:
 - Dexamethason is up \$3.7 million
 - Mirtazipine is down \$3.1 million
 - Morphine is up \$3.0 million
 - Hydromorphone is up \$2.9 million
 - Furosemide is down \$2.8 million
 - Clarithromycin is down \$2.5 million
 - Anagrelide is down \$2.5 million
 - Flecainide is up \$2.5 million
 - Prednisone is up \$2.3 million
 - Citalopram is down \$2.2 million
 - Citalopram Oral is up \$2.2 million
 - Digoxin is up \$2.2 million
 - Roxicet is up \$2.0 million

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2005 Year End

ROXANE LAB., INC. & BI ROXANE, INC. INCOME STATEMENT Multisource Year End 2005 vs Budget 2005						
Thousands U.S.S						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 2005	Variance %
Gross Sales of Goods	8030	388,568	960,960	458,142	(402,818)	-46.8%
Sales Discounts	8050	177,198	526,980	216,204	(310,776)	-59.0%
Royalty Income	8080	-	-	-	-	-
Other Income	8090	-	-	-	-	-
Net Sales	8100	211,370	333,980	241,938	(92,042)	-27.6%
Standard Cost of Goods Sold	8200	103,786	164,164	119,547	(44,617)	-27.2%
Direct Cost of Distribution	8210	5,998	11,948	4,280	(7,668)	-64.2%
Royalties	8220	1,754	3,573	1,145	(2,428)	-67.9%
Contribution I	8300	99,832	154,294	116,966	(37,328)	-24.2%
Direct Promotion Costs	8320	609	1,160	868	(292)	-25.2%
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	99,223	153,134	116,098	(37,036)	-24.2%
Own Field Force	8502	2,436	2,424	2,256	(168)	-6.9%
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	96,787	150,710	113,842	(36,868)	-24.5%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	3,581	3,763	3,599	(164)	-4.4%
Indirect Cost of Distribution	8540	38,616	12,276	7,046	(5,230)	-42.6%
Research & Development I	8550	21,624	28,994	31,038	2,044	7.1%
Medicine I	8560	13,972	18,096	17,840	(256)	-1.4%
Administration Cost	8610	1,976	7,905	8,651	746	9.4%
Variance Cost of Goods	8629	224	-	51	51	100.0%
Variance from Other Internal Service Chgs	8630	-	-	188	188	100.0%
(Income)/Expense I	8640	(477)	472	42,799	42,327	8967.5%
Contribution III	8700	17,271	79,204	2,630	(76,574)	-96.7%
Marketing II	8733	-	-	-	-	-
Process Development	8735	5,166	-	-	-	-
Cost of Reserve Capacity	8737	-	-	-	-	-
Cost of Idle Capacity	8738	-	683	162	(521)	-76.3%
Variances Production	8739	(1,166)	(61)	(2,814)	(2,753)	4513.1%
(Income)/Expense II	8742	(10,296)	-	6,924	6,924	100.0%
Other Expenses In Production	8743	4,628	2,880	1,839	(1,041)	-36.1%
Contribution IV	8755	18,939	75,702	(3,481)	(79,183)	-104.6%

Special Notes to Standard Cost of Goods:						
Standard Cost of Goods Sold (adjusted*)	8200	103,786	164,164	111,177	(52,987)	-32.3%
Resulting Contribution III	8700	17,271	79,204	11,000	(68,204)	-86.1%
Resulting Contribution IV	8755	18,939	75,702	4,890	(70,812)	-93.5%

* Year End 05 has been adjusted to disconsider the effect of 10% increase in CoGS for the product transfer from BIRI to RLI as of April 2005.

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2005 Year End

Year End '05 vs. Budget 05 (cont.)

PNR 8200: Standard Cost of Goods Sold (adjusted)

- Down \$53.0 million.
 - The lower costs are due to the products in budget 2005 that did not launch (i.e. Fluticasone accounts for \$41.8 million and Clonidine for \$7.5 million).

PNR 8210: Direct Cost of Distribution

- Down \$7.7 million.
 - This variance is mainly caused by the non launch of products, with Fluticasone accounting for \$4.8 million.

PNR 8220: Royalties

- Down \$2.4 million.
 - Primarily due to Lorazepam, that was recalled in December, 2004 and re-launched in October, 2005.

PNR 8540: Indirect Cost of Distribution

- Down \$5.2 million.
 - Mainly due to a reversal of an accrual made in 2004 for \$3.4 million for Fluticasone active drug due to a quality issue as the vendor provided replacement material.

PNR 8550: Research & Development I

- Up \$2.0 million.
 - Due mainly to a record number ANDAs submitted to the FDA 19 and projects started, 21.

PNR 8610: Administration Cost

- Up \$0.7 million.
 - Primarily due to outside legal expenses associated with AWP cases.

PNR 8640: Income / Expense I

- \$42.3 million unfavorable.
 - This variance is due a non-budgeted \$43 M accrual into the legal reserve.

PNR 8739: Variances Production

- \$2.8 million favorable.
 - The variance is due to favorable volume variances primarily in 1st Quarter of 2005

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2005 Year End

PNR 8742: Income / Expense II

- \$6.9 million unfavorable.
 - Due primarily to change in methodology. Budget 2005 had no charges to this PNR. However, with the new legal entity change, this PNR will capture all of the Multisource related production expenses and variances between Contr. III and IV. Included in the actual results are mainly reserves for discontinued products.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC.						
INCOME STATEMENT						
Contract Mfg (Toll & Outlicensing)						
Year End 2005 vs. Budget 2005						
Thousands U.S.\$						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 05	Variance %
Gross Sales of Goods	8030	4,928	5,534	6,685	1,151	20.8%
Sales Discounts	8050	-	-	-	-	-
Royalty Income	8080	422	277	515	238	85.8%
Other Income	8090	9,975	4,508	6,067	1,559	34.6%
Net Sales	8100	15,325	10,318	13,267	2,949	28.6%
Standard Cost of Goods Sold	8200	15,064	10,402	12,574	2,172	20.9%
Direct Cost of Distribution	8210	-	136	-	(136)	-100.0%
Royalties	8220	-	-	-	-	-
Contribution I	8300	261	(219)	692	911	-415.8%
Direct Promotion Costs	8320	-	-	-	-	-
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	261	(219)	692	911	-415.8%
Own Field Force	8502	-	-	-	-	-
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	261	(219)	692	911	-415.8%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	-	-	-	-	-
Indirect Cost of Distribution	8540	1,792	719	(269)	(988)	-137.4%
Research & Development I	8550	-	-	-	-	-
Medicine I	8560	453	213	186	(27)	-12.7%
Administration Cost	8610	286	480	290	(160)	-35.5%
Variance Cost of Goods	8629	-	-	-	-	-
Variance from Other Internal Service Chgs	8630	-	-	(7)	(7)	-100.0%
(Income)/Expense I	8640	2,316	690	2,179	1,489	215.8%
Contribution III	8700	(4,586)	(2,292)	(1,687)	605	-26.4%
Marketing II	8733	-	-	-	-	-
Process Development	8735	-	-	-	-	-
Cost of Reserve Capacity	8737	-	-	-	-	-
Cost of Idle Capacity	8738	-	-	-	-	-
Variances Production	8739	423	(4)	271	275	-6879.3%
(Income)/Expense II	8742	(1,036)	(1,000)	(1,000)	-	-
Other Expenses In Production	8743	101	428	(29)	(457)	-106.8%
Contribution IV	8755	(4,074)	(1,716)	(929)	787	-45.8%

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3.2. Contract Manufacturing (aai Pharma & Cebert) – 1548 6E

The Contract Manufacturing P&L reflects revenue and expense line items pertaining to the divestiture of the Pain/Palliative products to aaiPharma (originally sold to Elan) which include Duraclon, Oramorph, Roxanol and Roxicodone as well as the products outlicensed to Cebert, which pertain to the Methadone family. Effective July 2005, aaiPharma has sold the Pain products to Xanodyne.

Year End '05 vs. Budget 05

PNR 8100: Net Sales

- Up \$2.9 million.
 - Due primarily to the aaiPharma/Xanodyne product Roxicodone, which is up \$3.0 Million.

PNR 8200: Standard Cost of Goods Sold

- Up \$2.2 million.
 - Due to the increase in respective Net Sales of aaiPharma/Xanodyne and Cebert Products.

PNR 8540: Indirect Cost of Distribution

- Down \$1.0 million.
 - Due to reversal of a 2004 inventory provision for aaiPharma that had been established because of aaiPharma's poor financial condition.

PNR 8640: (Income)/Expense I

- Up \$1.5 million.
 - Due to write off of intangible assets related to the original methadone purchase from Eli Lilly.

PNR 8743: Other Expenses in Production

- Down \$0.5 million.
 - Lower product related destructions.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC.						
INCOME STATEMENT						
Affiliates						
Year End 2005 vs. Budget 2005						
Thousands U.S.S						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 05	Variance %
Gross Sales of Goods	8030	307,474	118,536	440,638	321,802	270.8%
Sales Discounts	8050	-	-	(271)	(271)	-100.0%
Royalty Income	8080	-	-	-	-	-
Other Income	8090	1,789	9,983	5,928	(4,055)	-40.6%
Net Sales	8100	309,263	128,519	446,295	318,018	246.9%
Standard Cost of Goods Sold	8200	301,699	125,338	428,613	303,275	242.0%
Direct Cost of Distribution	8210	-	-	-	-	-
Royalties	8220	-	-	(48)	(48)	-100.0%
Contribution I	8300	7,564	3,481	18,272	14,791	424.9%
Direct Promotion Costs	8320	-	-	-	-	-
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	7,564	3,481	18,272	14,791	424.9%
Own Field Force	8502	-	-	-	-	-
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	7,564	3,481	18,272	14,791	424.9%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	-	-	1	1	100.0%
Indirect Cost of Distribution	8540	1,925	480	502	22	4.5%
Research & Development I	8550	-	-	-	-	-
Medicine I	8560	(226)	25	(40)	(65)	-258.6%
Administration Cost	8610	5,743	3,504	4,948	1,444	41.2%
Variance Cost of Goods	8629	(56)	-	(61)	(61)	-100.0%
Variance from Other Internal Service Chgs	8630	-	-	(384)	(384)	-100.0%
(Income)/Expense I	8640	4,485	248	802	554	223.4%
Contribution III	8700	(4,307)	(776)	12,504	13,280	4711.3%
Marketing II	8733	-	-	-	-	-
Process Development	8735	46	-	11	11	100.0%
Cost of Reserve Capacity	8737	11,362	11,225	12,592	1,367	12.2%
Cost of Idle Capacity	8738	5,371	3,408	3,485	77	2.3%
Variances Production	8739	(1,009)	(46)	(4,219)	(4,173)	9071.7%
(Income)/Expense II	8742	(26,388)	(12,225)	(34,249)	(22,024)	180.2%
Other Expenses In Production	8743	10,239	9,581	20,576	10,995	114.8%
Contribution IV	8755	(3,928)	(12,720)	14,308	27,028	-212.5%

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3.3. Affiliates – 1548 6G

The Affiliates P&L reflects revenue and expense line items pertaining to the business fields 6G – 2999 BIPI Intercompany Sales, 6G – 6999 Exports to BII and, as of April 2005, 6G – 2998 RLI Intercompany Sales.

Year End '05 vs. Budget 05

PNR 8100: Net Sales

- Up \$318.0 million.
 - Increased Mobic demand due to VIOXX withdrawal accounts for an increase of \$181.5 million in BIRI Affiliate Sales.
 - Increase of \$13.7 million in Sales of Catapres TTS
 - Increase of \$9.7 million in Sales of Atrovent (HFA accounted for \$3.3million)
 - Legal entity change for Multisource business attributed \$111.9 million in Sales previously reported under Third Party business.

PNR 8200: Standard Cost of Goods Sold

- Up \$303.3 million.
 - Increase is attributable to the increase in Net Sales.

PNR 8610 Administration Cost

- Up \$1.4 million.
 - Increase is attributed to the split methodology and the relative increase in Affiliate Sales and COGS and decrease in Multisource Sales and COGS.

PNR 8737: Cost of Reserve Capacity

- Up \$1.4 million.
 - Lower production volumes for the Spiriva Export business.

PNR 8739: Variances Production

- Down \$4.2 million.
 - Favorable \$6.0 million purchase price variance, \$4.0 million efficiency variances and \$4.0 million absorption variances.
 - Unfavorable production capitalization variances.
 - Unfavorable Spiriva absorption and production variances million
 - Unfavorable Ridgefield Operations absorption and production variances

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PNR 8742: (Income)/Expense II

- \$22.0 million favorable.
 - \$7.1 million in reimbursement for Spiriva Project.
 - \$1.4 million in reimbursement for Cost of Reserve Capacity for Spiriva
 - \$9.1 million in chargeback for Multisource production related expenses from legal entity 1658.
 - \$4.2 million in chargeback for Brand production related expenses from legal entity 1544.

PNR 8743: Other Expenses in Production

- Up \$11.0 million.
 - Due primarily to product destructions.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC.						
INCOME STATEMENT						
Affiliates BII (TMA)						
Year End 2005 vs. Budget 2005						
Thousands U.S.S						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 05	Variance %
Gross Sales of Goods	8030	-	-	-	-	-
Sales Discounts	8050	-	-	-	-	-
Royalty Income	8080	-	-	-	-	-
Other Income	8090	15,289	9,983	5,927	(4,056)	-40.6%
Net Sales	8100	15,289	9,983	5,926	(4,057)	-40.6%
Standard Cost of Goods Sold	8200	13,900	9,074	5,427	(3,647)	-40.2%
Direct Cost of Distribution	8210	-	-	-	-	-
Royalties	8220	-	-	-	-	-
Contribution I	8300	1,389	909	499	(410)	-45.1%
Direct Promotion Costs	8320	-	-	-	-	-
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	1,389	909	499	(410)	-45.1%
Own Field Force	8502	-	-	-	-	-
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	1,389	909	499	(410)	-45.1%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	-	-	-	-	-
Indirect Cost of Distribution	8540	-	-	671	671	100.0%
Research & Development I	8550	-	-	-	-	-
Medicine I	8560	-	-	-	-	-
Administration Cost	8610	-	-	55	55	100.0%
Variance Cost of Goods	8629	-	-	(65)	(65)	-100.0%
Variance from Other Internal Service Chgs	8630	-	-	-	-	-
(Income)/Expense I	8640	-	-	9	9	100.0%
Contribution III	8700	1,389	909	(171)	(1,080)	-118.8%
TMA related cost positions						
Cost of Reserve Capacity	8737	7,725	11,225	12,592	1,367	12.2%
Cost of Idle Capacity	8738	1,497	-	-	-	-
Variances in Production	8739	-	-	(831)	(831)	-100.0%
(Income)/Expense II (reimbursement)	8742	-	(12,225)	(20,963)	(8,738)	71.5%
Other Expenses in Production	8743	-	8,389	7,953	(436)	-5.2%
Contribution IV	8755	(7,833)	(6,480)	1,078	7,558	-116.6%

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3.3.1. *Affiliates BII (TMA)*

The Affiliates BII (TMA) P&L reflects revenue and expense line items pertaining directly to the Toll Manufacturing Agreement (TMA) between BII and BI Roxane Inc. Under this agreement products of the Spiriva and Tipranavir family will be packaged / manufactured by BIRI and sold directly to BII without the intermediation of BIPI. BII provides API as part of the contract free of charge.

Year End '05 vs. Budget 05

PNR 8100: Net Sales

- Down \$4.1 million.
 - Lower manufactured volume

PNR 8200: Standard Cost of Goods Sold

- Down \$3.6 million.
 - Reflects the decrease in units produced.

PNR 8737: Cost of Reserve Capacity

- Up \$1.4 million.
 - Due to lower production volume

PNR 8739: Variances in Production

- Down \$0.8 million.
 - Favorable spending offset by unfavorable absorption and production variances.

PNR 8742: (Income)/Expense II

- Favorable \$8.7 million.
 - \$7.1 million in reimbursement for Spiriva Project.
 - \$1.4 million in reimbursement for Cost of Reserve Capacity for Spiriva.

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4. OPERATIONS

COLUMBUS OPERATIONS

Year End 2005

The Columbus packaged volume for year end is approximately 41.6 million units, representing a 11% decrease from Budget 2005 of 46.5 million units. The overall decrease in packaged units is driven primarily by the launch delay of Fluticasone. Fully manufactured units are down 33% due to lower than budgeted Spiriva volumes. Multisource volume is down 30% due to delayed launch of Fluticasone and Clonidine.

Columbus Production spending in 2005 is \$80.4 million, or \$6.8 million below Budget 2005 of \$87.2 million due to the following factors:

- Personnel costs are favorable to Budget by \$1.5 million due to lower headcount resulting from decreased Fluticasone and Spiriva volume.
- Positive absorption and efficiency improvements attribute \$8.2 million in favorable variances

RIDGEFIELD OPERATIONS

Year End 2005

The Ridgefield manufactured volume for year end is approximately 5.1 million units, representing a 51% decrease from Budget 2005 of 10.4 million units. The 3M contract expires at the end of 2005 and until then, the contract requires that 3M produces a minimum of 10 Million units. The Ridgefield production volume was adjusted to insure that contractual requirements were met.

Ridgefield Production spending in 2005 is \$11.8 million, or \$4.0 million above Budget 2005 of \$7.8 million due to the following factors:

- Increase in Idle Capacity of \$0.3 million resulted from decreased MDI volume.
- Negative absorption and efficiency variances attribute \$3.2 million in unfavorable variances due to the lower MDI production volume.

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2005 Year End

5. HUMAN RESOURCES

BIRI (1548)

BOEHRINGER INGELHEIM ROXANE, INC. HEADCOUNT DETAIL Actual 2005 vs. Budget 2005			
	Budget 2005	Actual 2005	Actual 2005 Over(Under) Bud 2005
Pharmaceutical Manufacturing	907	852	(55)
BIRI	849	852	3
BIPI	58	0	(58)
Marketing Office	0	0	0
Marketing Field	0	0	0
Medicine Human Pharmaceutical	33	33	0
BIRI	33	16	(17)
BIPI	0	5	5
RLI	0	12	12
R&D Human Pharmaceutical	72	69	(3)
BIRI	72	0	(72)
RLI	0	69	69
Central Functions	68	65	(3)
Total Headcount	1,080	1,019	(61)
Transfers from BIPI	58	0	(58)
Transfers to BIPI		5	5
Transfers to RLI		81	81
Total BIRI Headcount	1,022	933	(89)

Year End '05 vs. Budget '05

Regular Headcount

- Pharmaceutical Manufacturing headcount is up 3.
 - Due primarily to the legal entity change that transferred 48 headcount from the Ridgefield operations personnel to the Columbus based legal entity (BIRI – 1548). Ridgefield Operations had originally planned a headcount of 58.
 - Headcount for Columbus Operations only is down 41 due to lower Spiriva and Fluticasone volume.
- Medical and R&D headcount is down 89.
 - Due to legal entity changes that transferred 82 Multisource personnel to the new RLI – 1658 legal entity.
 - Also included in the legal entity changes was a transfer of 5 Branded Medical headcount to BIPI legal entity 1544.
- Central Functions headcount is down 3.
 - Reduction of 2 headcount in Purchasing and 1 in Administration.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC. PERSONNEL COSTS Actual 2005 vs. Budget 2005			
Thousands U.S.\$			
	Budget 2005	Actual 2005	Actual 2005 Over(Under) Bud 2005
Personnel Costs	84,432	80,991	(3,441)
Restructuring		-	-
Total Personnel Costs	84,432	80,991	(3,441)
Pers. Costs (Excl. Restructuring) as a % of Net Sales	17.85%	15.55%	-2.29%
Total Headcount	1,022	933	(89)
Restructuring provision transfer	-	3,172	3,172

Personnel Costs

- Down \$3.4 million.
 - The decrease in Personnel cost is due to the legal entity changes which transferred 89 R&D and Medical headcount out of BIRI and transferred 48 Ridgefield Operations positions into BIRI. Additionally, Columbus Operations headcount is down 45 due to lower Spiriva and Fluticazone production volume.
 - The reduction in personnel cost is slightly offset by higher social cost for PTO Accruals, and Post Retirement Medical Benefits.

Restructuring provision

- Represents the provision accrued for Opina on BIPI's Balance Sheet and has been transferred to BIRI's Balance Sheet.

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2005 Year End

RLI (1658)

ROXANE LABORATORIES, INC HEADCOUNT DETAIL Actual 2005 vs. Budget 2005			
	Budget 2005	Actual 2005	Actual 2005 Over(Under) Bud 2005
Pharmaceutical Manufacturing	0	0	0
Marketing Office	0	0	0
Marketing Field	0	0	0
Medicine Human Pharmaceutical	0	12	12
R&D Human Pharmaceutical	0	69	69
Central Functions	0	0	0
Total Headcount	0	81	81

Year End '05 vs. Budget '05

Regular Headcount

- Headcount is 81.
 - Transfer of the 82 Multisource personnel from BIRI – 1548 legal entity into RLI – 1658
 - 2 new hires.
 - Offset by 3 open positions.

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2005 Year End

ROXANE LABORATORIES, INC PERSONNEL COSTS Year End 2005 vs. Budget 2005			
Thousands U.S.\$			
	Budget 2005	Year End 2005	YE 2005 Over(Under) Bud 2005
Personnel Costs	-	7,162	7,162
Restructuring	-	-	-
Total Personnel Costs	-	7,162	7,162
Pers. Costs (Excl. Restructuring) as a % of Net Sales	N/A	3.95%	N/A
Total Headcount	0	81	81

Personnel Costs

- Up \$7.2 million.
 - Due primarily to the transfer of 82 R&D and Medical headcount out of BIRI – 1548 legal entity and into RLI.

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2005 Year End

6. INFORMATION TECHNOLOGY

Year End '05 vs. Budget 05

IT 2005 actual costs reflect a \$0.2 Million or a 5% decrease compared to Budget 2005.

- Down \$0.2 million.
 - Cost containments in controlled equipment and computer supplies as well as lower than expected hardware/software maintenance and depreciation costs contributed to the decrease.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC.						
INCOME STATEMENT						
TOTAL COMPANY						
Year End 2005 vs. Budget 2005						
Thousands U.S.\$						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 05	Variance %
Gross Sales of Goods	8030	700,970	985,329	559,747	(425,582)	-43.2%
Sales Discounts	8050	177,198	526,980	51,498	(475,482)	-90.2%
Royalty Income	8080	422	277	515	238	85.8%
Other Income	8090	11,764	14,491	11,995	(2,496)	-17.2%
Net Sales	8100	535,958	473,117	520,759	47,642	10.1%
Standard Cost of Goods Sold	8200	420,549	299,904	468,662	168,758	56.3%
Direct Cost of Distribution	8210	5,998	12,084	1,474	(10,610)	-87.8%
Royalties	8220	1,754	3,573	0	(3,573)	-100.0%
Contribution I	8300	107,657	157,555	50,623	(106,932)	-67.9%
Direct Promotion Costs	8320	609	1,160	290	(870)	-75.0%
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	107,048	156,395	50,333	(106,062)	-67.8%
Own Field Force	8502	2,436	2,424	606	(1,818)	-75.0%
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	104,612	153,971	49,727	(104,244)	-67.7%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	3,581	3,763	941	(2,822)	-75.0%
Indirect Cost of Distribution	8540	42,333	13,475	3,233	(10,242)	-76.0%
Research & Development I	8550	21,624	28,994	8,463	(20,531)	-70.8%
Medicine I	8560	14,199	18,334	3,457	(14,877)	-81.1%
Administration Cost	8610	8,005	11,859	7,485	(4,374)	-36.9%
Variance Cost of Goods	8629	168	-	(10)	(10)	-100.0%
Variance from Other Internal Service Chgs	8630	-	-	(203)	(203)	-100.0%
(Income)/Expense I	8640	6,324	1,410	2,700	1,290	91.5%
Contribution III	8700	8,378	76,136	23,661	(52,475)	-68.9%
Marketing II	8733	-	-	-	-	-
Process Development	8735	5,212	-	11	11	100.0%
Cost of Reserve Capacity	8737	11,362	11,225	12,592	1,367	12.2%
Cost of Idle Capacity	8738	5,371	4,091	3,647	(444)	-10.9%
Variances Production	8739	(1,752)	(111)	(6,762)	(6,651)	5991.7%
(Income)/Expense II	8742	(37,720)	(13,225)	(35,249)	(22,024)	166.5%
Other Expenses In Production	8743	14,968	12,889	21,989	9,100	70.6%
Contribution IV	8755	10,937	61,267	27,433	(33,834)	-55.2%
Research II	8758	-	-	-	-	-
Development II	8759	-	-	-	-	-
Medicine II	8757	-	-	-	-	-
(Income)/Expense III	8762	253	208	150	(58)	-27.8%
Operating Income/(Loss) BA	8800	10,684	61,059	27,283	(33,776)	-55.3%
Financial (Income)/Expense	8810	3,234	5,775	6,305	530	9.2%
Income/(Loss) Before Taxes	8900	7,450	55,284	20,978	(34,306)	-62.1%
Taxes	8910	2,130	17,509	7,657	(9,852)	-56.3%
Income/(Loss) After Taxes	8990	5,320	37,775	13,321	(24,454)	-64.7%

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7. FINANCE

7.1. Financial Income Statement

As of April 2005, Roxane Laboratories (company code 1548) has been divided into two new legal entities. The Operations, Manufacturing and Distribution functions are under Boehringer Ingelheim Roxane, Inc. (company code 1548) and the Marketing, Multisource Sales and Scientific Affairs functions are under Roxane Laboratories, Inc (company code 1658).

7.1.1. *BIRI (1548)*

Year End '05 vs. Budget 05

PNR 8755: Contribution IV

- Down \$33.8 million.
 - Primarily due to the transfer of the Multisource business to the new legal entity RLI.
 - Partially offset by the transfer of associated expenses to the RLI Multisource business.
 - Partially offset by higher Spiriva reimbursement amounts.

PNR 8810: Financial (Income)/Expense

- Up \$0.5 million.
 - Due to higher interest expenses.

PNR 8990: Income (Loss) After Taxes:

- Down \$24.5 million.
 - Primarily due to the transfer of the Multisource business to the new legal entity RLI.

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ROXANE LABORATORIES, INC. INCOME STATEMENT TOTAL COMPANY Year End 2005 vs. Budget 2005						
Thousands U.S.\$						
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 05	Variance %
Gross Sales of Goods	8030	-	-	345,718	345,718	100.0%
Sales Discounts	8050	-	-	164,434	164,434	100.0%
Royalty Income	8080	-	-	-	-	-
Other Income	8090	-	-	-	-	-
Net Sales	8100	-	-	181,283	181,283	100.0%
Standard Cost of Goods Sold	8200	-	-	92,073	92,073	100.0%
Direct Cost of Distribution	8210	-	-	2,806	2,806	100.0%
Royalties	8220	-	-	1,097	1,097	100.0%
Contribution I	8300	-	-	85,307	85,307	100.0%
Direct Promotion Costs	8320	-	-	578	578	100.0%
Direct Scientific Product Support	8321	-	-	-	-	-
Cost of Free Goods & Samples	8340	-	-	-	-	-
Contribution IA	8500	-	-	84,729	84,729	100.0%
Own Field Force	8502	-	-	1,650	1,650	100.0%
Rented Field Force	8503	-	-	-	-	-
Commission Co-Promotion	8504	-	-	-	-	-
Contribution II	8505	-	-	83,079	83,079	100.0%
General Promotion - Activities	8510	-	-	-	-	-
Marketing & Sales Organization	8520	-	-	2,659	2,659	100.0%
Indirect Cost of Distribution	8540	-	-	4,046	4,046	100.0%
Research & Development I	8550	-	-	22,575	22,575	100.0%
Medicine I	8560	-	-	14,529	14,529	100.0%
Administration Cost	8610	-	-	6,404	6,404	100.0%
Variance Cost of Goods	8629	-	-	-	-	-
Variance from Other Internal Service Chgs	8630	-	-	-	-	-
(Income)/Expense I	8640	-	-	43,080	43,080	100.0%
Contribution III	8700	-	-	(10,215)	(10,215)	-100.0%
Marketing II	8733	-	-	-	-	-
Process Development	8735	-	-	-	-	-
Cost of Reserve Capacity	8737	-	-	-	-	-
Cost of Idle Capacity	8738	-	-	-	-	-
Variances Production	8739	-	-	-	-	-
(Income)/Expense II	8742	-	-	6,923	6,923	100.0%
Other Expenses In Production	8743	-	-	397	397	100.0%
Contribution IV	8755	-	-	(17,535)	(17,535)	-100.0%
Research II	8758	-	-	-	-	-
Development II	8759	-	-	-	-	-
Medicine II	8757	-	-	-	-	-
(Income)/Expense III	8762	-	-	-	-	-
Operating Income/(Loss) IA	8800	-	-	(17,535)	(17,535)	-100.0%
Financial (Income)/Expense	8810	-	-	64	64	100.0%
Income/(Loss) Before Taxes	8900	-	-	(17,599)	(17,599)	-100.0%
Taxes	8910	-	-	(6,985)	(6,985)	-100.0%
Income/(Loss) After Taxes	8990	-	-	(10,614)	(10,614)	-100.0%

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7.1.2. *RLI (1658)*

Year End '05 vs. Budget 05

Due to the fact that the Legal Entity split is effective as of April 1st 2005, no Budget has been established for company 1658 for the year of 2005. It has been decided to submit detailed planning numbers starting with Preview 2005. Therefore, no comparison to Budget 2005 is possible.

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2005 Year End

7.2. Capital Expenditure

7.2.1. BIRI (1548)

Year End '05 vs. Budget 05

The BIRI 2005 Budget was \$51.6 million. The 2005 Actual is \$53.4 million, or 104% of the total budget. The increased spending of \$1.8 million is mainly due to carryover spending, exchange rate fluctuations for equipment, and spending on non-budgeted projects. This was partially offset by the reduction in Spending for the Oak St. Renovations, Site Masterplan improvements and RFID projects.

The following table depicts BIRI Actual vs. Budget by Function (\$000):

Function	2005 Bud	2005 Act	Variance
CBMD	3,261	2,463	798
R&D	969	248	721
Mfg. Pharma	43,771	46,246	-2,475
Infrastructure	3,603	4,455	-852
Total	51,604	53,412	-1,808

The Major projects that contributed to this increased spending are as follows:

No.	Name	2005 Budget	2005 Actual	Variance	Comment
0119	Spiriva Phase B	8,661	12,467	-3,806	Exchange rate fluctuations
0095	Thermoformer	1,244	4,862	-3,618	Exchange rate fluctuations
0104	Locker Room Expansion	1,500	3,025	-1,525	Carryover spending
0164	SO4 Bulk Solids	0	1,180	-1,180	Not budgeted
0191	RFID Implementation	1,738	0	1,738	Postponed to 2007
0131	Site Master Plan Improvements	5,733	3,882	1,851	Implementation delays
0181	Oak Street Renovations	4,625	847	3,778	Implementation delays

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7.2.2. RLI (1658)

Year End '05 vs. Budget 05

Due to the fact that the Legal Entity split is effective as of April 1st 2005, no Budget has been established for RLI for the year of 2005. The 2005 Actual Capital Expenditure was \$0.5 million and was related to the implementation of group projects.

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2005 Year End

BOEHRINGER INGELHEIM ROXANE, INC.					
BALANCE SHEET					
Year End 2005 vs. Budget 2005					
Thousands U.S.\$					
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 2005
ASSETS					
Intangible Assets	1090	3,459	2,712	3,123	411
Property, Plant and Equipment	1190	163,009	204,199	190,199	(14,000)
Long-term Investments	1290	43	50	43	(7)
Total Prop. Plant, Equip. and Invest	1300	166,511	206,961	193,364	(13,597)
Inventories	1390	115,607	118,917	144,921	26,004
Trade Accounts Receivable 3rd Parties	1400	56,378	97,588	400	(97,188)
Trade Accounts Receivable fr. Affil. Comp.	1410	-	-	-	-
Short-Term advances to Affiliates	1420	-	-	-	-
Other Assets	1500	3,446	3,458	3,071	(387)
Deferred Tax Assets	1510	51,370	39,500	9,446	(30,054)
Total Receivables	1590	111,194	140,546	12,917	(127,629)
Liquid Funds	1790	-	-	-	-
Prepaid Expenses a.o. deferred items	1890	439	410	370	(40)
Total Current Assets	1900	227,240	259,873	158,208	(101,665)
Total Assets	1000	393,751	466,834	351,572	(115,262)
SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES					
Share Capital	2010	19	19	19	-
Additional Paid-In Capital	2020	8,735	8,735	8,735	(0)
Other Reserves	2050	-	-	-	-
Retained Earnings, Opening Balance	2200	46,121	63,216	46,121	(17,095)
Interim Dividends	2207	-	(17,095)	-	17,095
Net Income (Loss), Current Period	2210	5,320	37,775	13,119	(24,656)
Total Shareholders' Equity	2300	60,195	92,650	67,994	(24,656)
Provision for Pensions	2410	21,102	32,450	25,225	(7,225)
Tax Provisions	2450	34,166	18,200	26,261	8,061
Deferred Tax Prov/Liabilities	2470	18,025	12,837	18,025	5,188
Other Provisions and Accruals	2500	71,975	81,630	28,114	(53,516)
Total Provisions	2600	145,268	145,117	97,625	(47,492)
Trade Accounts Payable	2610	24,761	33,214	19,307	(13,907)
Payable to Banks	2630	-	-	-	-
Payables to Affiliates	2720	71,428	10,000	163,583	153,583
Loans from Affiliates	2740	88,721	182,387	-	(182,387)
Other Liabilities	2820	153	125	12	(113)
Total Liabilities	2900	185,063	225,726	182,902	(42,824)
Deferred Income	2950	3,225	3,341	3,051	(290)
Total Liabilities and Provisions	2990	333,556	374,184	283,578	(90,606)
Total Equity, Liabilities and Provisions	2000	393,751	466,834	351,572	(115,262)

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7.3. Balance Sheet

7.3.1. BIRI (1548)

Year End '05 vs. Budget 05

NOTE: The Balance Sheet commentary has not been updated!!!

PNR 1190: Property, Plant and Equipment

- Down \$14.0 million.
 - Primarily due to asset transfer to the new legal entity RLI of \$5.3 million and to BIPI of \$1.9 million.
 - Accumulated depreciation increase of \$17.6 million.
 - Actual 2004 spending was \$8.7 million less than initially budgeted, therefore the base for forecasting Budget 2005 was higher.

PNR 1390: Inventories

- Up \$9.8 million.
 - Increase due to Fluticasone pre-launch material approximately \$9.0 million. Expected to have been launched in 2005 and only have inventory at normal commercial levels.

PNR 1400: Trade Accounts Receivable 3rd Parties

- Down \$97.2 million.
 - As of April 2005, all Multisource sales are booked under the new legal entity RLI. End of April, all outstanding Multisource related accounts Receivable were transferred to RLI.
 - The remaining balance pertains to Business Segment Contract Manufacturing.

PNR 1510: Deferred Tax Assets

- Down \$30.1 million.
 - Due to partial transfer of balance to the new legal entity RLI.
 - Due to elimination of accrued expenses related to the Multisource business.

PNR 2200: Retained Earnings, Opening Balance

- Down: \$17.1 million.
 - Reflects the fact that the dividend payment is being reported in the opening balance.

PNR 2410: Provisions for Pensions

- Down \$7.2 million.
 - Funding payment to the pension plan in the order of \$2.7 million.
 - Transfer of partial provision to the new legal entity RLI.

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PNR 2450: Tax Provisions

- Up \$8.1 million.
 - Revised up to be in accordance to current balances.

PNR 2470: Deferred Tax Prov/Liabilities

- Up \$5.2 million.
 - Revised up to be in accordance to current balances.

PNR 2500: Other Provisions and Accruals

- Down \$53.5 million.
 - Transfer of partial balance to the new legal entity RLI.
 - Elimination of Multisource related accrued expenses.

PNR 2610: Trade Accounts Payable

- Down \$13.9 million.
 - Revised down to be more in accordance with 2004 year end balance.
 - Transfer Multisource related balance to the new legal entity RLI.

PNR 2720: Payables to Affiliates & PNR 2740: Loans from Affiliates

- Down \$28.8 million.
 - Transfer of the Multisource business related balance to the new legal entity RLI.

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ROXANE LABORATORIES, INC. BALANCE SHEET Year End 2005 vs. Budget 2005					
Thousands U.S.\$					
	PNR	Year End 2004	Budget 2005	Year End 2005	YE 2005 Over (Under) Bud 2005
ASSETS					
Intangible Assets	1090	-	-	-	-
Property, Plant and Equipment	1190	-	-	5,862	5,862
Long-term Investments	1290	-	-	270	270
Total Prop, Plant, Equip, and Invest	1300	-	-	6,132	6,132
Inventories	1390	-	-	15,067	15,067
Trade Accounts Receivable 3rd Parties	1400	-	-	56,603	56,603
Trade Accounts Receivable fr. Affil. Comp.	1410	-	-	-	-
Short-Term advances to Affiliates	1420	-	-	4,580	4,580
Other Assets	1500	-	-	1,505	1,505
Deferred Tax Assets	1510	-	-	40,662	40,662
Total Receivables	1590	-	-	103,350	103,350
Liquid Funds	1790	-	-	-	-
Prepaid Expenses a.o. deferred items	1890	-	-	2	2
Total Current Assets	1900	-	-	118,419	118,419
Total Assets	1000	-	-	124,551	124,551
SHAREHOLDERS' EQUITY, PROVISIONS, AND LIABILITIES					
Share Capital	2010	-	-	-	-
Additional Paid-In Capital	2020	-	-	1	1
Other Reserves	2050	-	-	-	-
Retained Earnings, Opening Balance	2200	-	-	-	-
Interim Dividends	2207	-	-	-	-
Net Income (Loss), Current Period	2210	-	-	(10,614)	(10,614)
Total Shareholders' Equity	2300	-	-	(10,613)	(10,613)
Provision for Pensions	2410	-	-	1,574	1,574
Tax Provisions	2450	-	-	30,472	30,472
Deferred Tax Prov/Liabilities	2470	-	-	-	-
Other Provisions and Accruals	2500	-	-	90,062	90,062
Total Provisions	2600	-	-	122,108	122,108
Trade Accounts Payable	2610	-	-	13,042	13,042
Payable to Banks	2630	-	-	-	-
Payables to Affiliates	2720	-	-	-	-
Loans from Affiliates	2740	-	-	-	-
Other Liabilities	2820	-	-	14	14
Total Liabilities	2900	-	-	13,056	13,056
Deferred Income	2950	-	-	-	-
Total Liabilities and Provisions	2990	-	-	135,164	135,164
Total Equity, Liabilities and Provisions	2000	-	-	124,551	124,551

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7.3.2. RLI (1658)

Year End '05 vs. Budget 05

Due to the fact that the Legal Entity split is effective as of April 1st 2005, no Budget has been established for company 1658 for the year of 2005. It has been decided to submit detailed planning numbers starting with Preview 2005. Therefore, no comparison to Budget 2005 is possible.